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FISCAL IMPACT STATEMENT

LS 6849 **NOTE PREPARED:** Feb 23, 2010
BILL NUMBER: HB 1094 **BILL AMENDED:** Feb 23, 2010

SUBJECT: Net Metering.

FIRST AUTHOR: Rep. Dvorak **BILL STATUS:** CR Adopted - 2nd House
FIRST SPONSOR: Sen. Merritt

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill requires the utility regulatory commission (IURC) to adopt emergency rules amending the IURC's net metering rules for electric utilities. It provides that the amended rules must: (1) allow certain net metering customers to interconnect facilities that generate energy from certain renewable energy resources; (2) make net metering available to all customer classes; (3) establish a maximum nameplate capacity for all customer classes; (4) require certain net metering customers to pay all interconnection costs; (5) establish certain billing requirements; and (6) permit an electric utility to establish in its proposed tariff net metering standards that exceed the standards set forth by the IURC. The bill provides that the amended rules do not apply to existing net metering agreements and may not permit meter aggregation.

The bill also requires the IURC to notify the publisher of the Indiana administrative code to the extent the existing rules do not comply with the requirements for the amended rules. It also requires the IURC to report to the regulatory flexibility committee on: (1) the IURC's progress in adopting the amended rules; and (2) beginning not later than July 1, 2016, the impact of technological advances on the IURC's net metering rules.

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures: (Revised) *IURC*: The bill directs the IURC to adopt rules to implement its requirements and to ensure that the Indiana Administrative Code is updated as necessary. It requires the Commission to report to the Regulatory Flexibility Committee by November 1, 2011, on its progress in adopting the amended rules and, beginning not later than July 1, 2016, on the impact of technological advances on the net metering rules adopted.

The bill's requirements may represent an additional workload (and/or expenditure) on the Commission outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. However, any increase in administrative expenses would probably be borne by the Public Utility Fund which funds the agency's operations. Proceeds for the fund come from a fee on the gross revenues of the utilities.

Under current law, an electric utility (current law applies only to investor-owned utilities) has to offer net metering to current eligible customers: residential customers and K-12 schools, that install a generating facility (solar, wind, hydro-electric only) with a maximum capacity of 10 kilowatts (kW). Current law also permits the utility to limit the total amount of its capacity allocated to net metering to 0.1% of its most recent summer peak load. If a current eligible customer produces a net excess of electricity during the billing period, the excess is credited to the customer's next bill, and the excess can be carried over indefinitely. The utility is also permitted, if it wishes, to offer net metering to other customers such as state and local governments.

This bill requires investor-owned utilities to offer net metering to all customer classes. It expands the type of generating facility to include those that generate electricity from other renewable energy sources permitted by current law besides solar, wind, or hydro-electric (e.g. organic waste biomass, fuel cells, crops grown for energy production, landfill gas, energy storage systems). The bill also deletes the 10 kW capacity requirement for customer generating systems and empowers the IURC to set the maximum allowable capacity for each customer class. In determining the maximum capacity, the Commission must consider the potential cross-subsidy impact (e.g. rate increases) on members of the customer class. Additionally, under this bill, a net metering customer, except a current eligible customer, would have to pay all costs and fees associated with interconnecting the customer's generating facility. For billing purposes, this proposal does not permit customers to aggregate the total amount of electricity used from all their generating systems.

The bill permits a new customer, that owns and operates a generating facility that has a nameplate capacity of 200 kW or less, to carry over to the next billing cycle any excess power generated. The carry over lasts for one (1) year or when the customer stops participating in the utility's net metering tariff. At that time, any excess power would revert to the utility. On the other hand, new customers with a generating capacity over 200 kW are denied any carry over. The bill assumes that these customers would produce only the power that they need, and they will not be credited for any excess power generated.

The bill does not apply to existing net metering agreements nor to current eligible customers. Additionally, this proposal gives utilities the flexibility to implement net metering standards that exceed those that the Commission establishes. For example, the bill would permit a utility to offer customers a larger net metering capacity than the IURC has proposed.

State and Local Government Utility Expenditures: The bill requires electric utilities to offer net metering to state and local governments. As a result, there could be a decrease in electric utility expenditures of state and local agencies. The impact would ultimately depend on how much of its own energy the agency would be capable of generating.

Explanation of State Revenues: *Utility Rates:* To the extent that utility rates are affected by the net metering requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Background Information- According to the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Revenues.*

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm.

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